

**State Budget Office
Office of Financial Management
Support Services Division
Internal Audit Program**

Decentralized Warrants

Audit Objective

The purpose of this audit is to ensure compliance with established regulations, policies and procedures. Audit objectives are to review a sample of decentralized warrants for proper approval, appropriate accompanying documentation, reasonableness and proper accounting.

Risk

The inherent risk in this area is that decentralized warrants may be issued without proper authorization or an incorrect amount. Manual and local warrants may be issued for other than State authorized purposes. They may not be issued timely, or recorded. Warrants may also be issued without adequate supporting documentation. The above risks also apply to the petty cash audit area.

Audit Program Standards

This audit program is designed to document and obtain a sufficient understanding of relevant management controls that are in effect. Consideration should be given to any prior audit findings and whether corrective action has occurred. At the conclusion of fieldwork, all findings and recommendations for improvement should be documented.

General Description

Decentralized warrants refer to warrants and payments issued by State agencies versus centralized State warrant functions, i.e., Treasury. Decentralized warrants generally include local warrants, manual warrants and petty cash.

Agencies may periodically have an immediate need for a warrant. In most of these cases, the agency issues a manual warrant immediately, provided the amount is under the departmental limit (generally \$5,000) and doesn't require Purchase Order documents. Agencies generally issue warrants before recording them.

Test Sample

Obtain a test sample of decentralized warrants documents from the Department of Management and Budget (DMB), Support Services Division. The initiated expenditure transactions can be extracted from ADPICS by using script ADP97AE*.CLS. The script will produce a file that is downloadable to Microsoft ACCESS. When performing the download, ascertain that all fields are appropriately delimited and defined.

The extracted query file may be exported as a tab format file to software capable of performing statistical analysis and sampling (AuditForce used ACL for this purpose). To select a sample, perform the following:

- Stratify the query file into high, medium and low dollar strata
- Select a sample from the high dollar strata
- Select a sample from medium and low dollar strata by applying random sampling techniques
- Reformat statistical samples to Microsoft EXCEL to produce sample listings
- Forward the sample listing to selected agencies for document retrieval

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Control Points

7.1 Decentralized Disbursement

	YES	NO	N/A	COMMENTS	WP
Verify that authorized management approves any manual warrant request in accordance with local department policy.					
Verify that an authorized department representative signs the manual warrant request.					

7.2 Generate Manual Warrant

Determine that an authorized department representative signs the warrants.					
Verify that Department of Treasury prepares the bank reconciliation as an independent function.					
Verify that the proper documentation accompanies the manual warrant request.					

7.3 Create Direct Voucher in MAIN

Determine that warrants are properly classified in the general ledger.					
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7.4 Local Warrant Processing

Verify that an authorized department representative signs the warrants.					
Verify that local warrants are recorded in MAIN in a timely manner.					

7.5 Distribute Warrants

Determine if manual warrants that are not printed centrally, are delivered personally or mailed to an address of the payee.					
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7.6 Request for Petty Cash

	YES	NO	N/A	COMMENTS	WP
Determine that an authorized custodian distributes cash.					
Verify that the request to replenish cash is approved by the agency's CFO and DMB-OFM.					
Verify the reconciliation of petty cash is submitted to DMB for review.					

Audit Program Conclusion

Prepare a brief narrative summarizing audit findings and their implications to the department.					
Prepare a brief narrative describing recommendations for improvement.					
All audit review points have been discussed with the supervisor and incorporated into the final report.					

Prepared By: _____	Date _____ —
Reviewed By: _____	Date _____ —